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S E C R E T SECTION 01 OF 04 ABU DHABI 001202

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SUBJECT: SCENESETTER FOR U/S JOSEPH VISIT TO THE UAE

REF: A. ABU DHABI 605

[B](#). SECSTATE 46165

[C](#). 2005 ABU DHABI 4103

[D](#). 2005 ABU DHABI 4224 NOTAL

[E](#). 2005 ABU DHABI 4468

[F](#). USDEL 00007

Classified By: Ambassador Michele J. Sison for reasons 1.4 b and d.

[1](#)1. (S/NF) Summary. Embassy welcomes you back to the UAE to secure UAE endorsement the Proliferation Security Initiative Statement of Interdiction Principles (PSI SOPs) and to continue the dialogue regarding our concerns about Iran's nuclear ambitions. Since your visit in October 2005, Embassy and Washington visitors have frequently engaged UAE leaders in an effort to gain their active support for our nonproliferation efforts against Iran. To date, the results have been mixed. While UAE leaders tell us they are opposed to Iran's nuclear ambitions, they were recently unwilling to interdict two containers suspected of carrying dual-use items to Iran's WMD and/or missile programs. Concern about Iranian retaliation is possibly among the reasons why the UAEG has not yet endorsed the PSI SOPs. The UAE's draft export control law is still in a legislative committee, but UAEG officials tell us they are hopeful it will be passed by the summer. On the proliferation finance front, the UAE Central Bank Governor does not believe he has the legal authority to freeze proliferators' funds. Embassy is working with the Central Bank and the Ministry of Foreign Affairs to encourage them to enact a law (consistent with their obligations under UNSCR 1540) that would explicitly authorize the freezing of proliferators' assets. Absent this authority, the Central Bank Governor has implied that it is possible for him to close suspect accounts -- vice freezing them. In an effort to move the UAE forward on these issues, Embassy is working with the UAEG to schedule meetings of the expert-level working groups that were proposed during the February 11 meeting of the U.S./UAE Counterproliferation Task Force (CTF).

[1](#)2. (C) Embassy has requested meetings for you with Foreign Minister Sheikh Abdullah bin Zayed al-Nahyan (AbZ), Sheikh Mohammed bin Rashid al-Maktoum (MbR), Ruler of Dubai, Vice President and Prime Minister of the UAE; and Mohammed al-Qemzi, Director of Dubai's State Security Organization (SSO) and the head of the UAE's Counterproliferation Team. These meetings will give you the opportunity to discuss cooperation issues with the key UAE leaders and urge them to make progress on this critical issue on nonproliferation.

No Movement Yet on PSI

13. (C) Despite repeated efforts by the Embassy and visiting USG and European officials, the UAE still has not endorsed the PSI SOPs. Since your October meeting with Deputy Prime Minister Sheikh Hamdan bin Zayed al-Nahyan, Embassy has engaged the UAEG at the highest levels to encourage endorsement of PSI. A/S Rademaker and DASD Jack David gave presentations during the CTF explaining the PSI SOPs, and al-Qemzi said that the UAE had no reservations and that a decision would come soon to endorse. Ambassador raised it again with AbZ and MinEcon Sheikha Lubna al-Qasimi during a March 5 meeting with BIS U/S David McCormick. AbZ said he was expecting to receive a response from the UAE military General Headquarters "that day." Ambassador followed-up on March 26 with Yousef al-Otaiba, International Affairs Director for Abu Dhabi Crown Prince Mohammed bin Zayed al-Nahyan, who said that there had not yet been movement.

14. (S) Although the UAEG has never provided an explanation for why it is dragging its heels, Embassy assesses that there are two possible reasons the UAEG has been hesitant to endorse the PSI SOPs. First, the UAE tends to not want to "get out in front" of its Gulf Cooperation Council neighbors. If you are able to do so, sharing that the UAE's neighbor Oman has "silently" endorsed the PSI SOPs might help encourage the UAE to follow suit. When A/S Rademaker was here, he offered the UAEG the option of a non-public endorsement. The second -- and perhaps more important -- reason is that the UAEG may fear that publicly endorsing the PSI SOPs will anger Iran.

Concern about Iran Prompts Inaction

15. (S) The UAE views Iran as a significant national security

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threat and opposes its nuclear ambitions, but the UAEG is careful not to anger Iran. Its policy decisions with regard to Iran have two goals: avoid antagonizing the militarily superior country, and maintain the robust trading relationship. Although Iran already occupies three of the UAE's islands and routinely harasses fishermen near Iranian territorial waters, the UAEG may be concerned that if the UAE publicly sides with the U.S. against Iran, it would step up activities against the UAE.

-- With 30 percent of the UAE's GDP coming from oil and gas exports (in 2004 it earned over \$38 billion in oil and gas revenues), the UAEG may legitimately be worried that Iran could blockade the Strait of Hormuz, through which all of the country's oil exports must transit. Such a blockade would effectively cripple the UAE economy.

-- Iran is the UAE's third largest export market and largest non-oil trading partner, and the commercial ties are especially critical for the Emirate of Dubai. Dubai officials are likely worried that an angry Iran will decrease or cease using Dubai's ports as a transshipment point. (Comment: Embassy's analysis is that Iran needs Dubai, as the most practical and economical way for goods to reach Bandar Abbas is for them to be transshipped through Jebel Ali Port.)

-- Emirati officials have told us they are concerned about Iran's interference in Iraq's domestic affairs and Iran's expanding influence in the region. Accordingly, the UAEG may fear that Iran could sponsor terrorist attacks inside the country as punishment for its pro-western policies.

16. (S/NF) In line with its effort to not antagonize Iran and maintain trade, the UAE's recent inaction on two USG interdiction requests for dual-use items in transit to Iran were political decisions, not legal ones. Sultan bin Sulayem, Chairman of Dubai Ports World, told Ambassador in a meeting February 6 that Dubai does not want to "open a front" with Iran, which it considers a "dangerous enemy." He said that Dubai had not inspected the two containers because it

did not want Iran to think Dubai was targeting its ships. Dubai SSO Chief and head of the UAE's Counterproliferation Team, Mohammed al-Qemzi, told A/S Rademaker during the February 11 CTF meeting that the UAE was concerned Iran would complain that the UAE was "targeting" Iranian cargo without cause, and that Iran might "retaliate" (ref A). "We must consider the current situation with our neighbors (Iran). It may not be advisable to take action in some cases without strong evidence." Noting the important commercial ties between the UAE and Iran, Ahmed bin Butti, Director of Dubai Customs, told A/S Rademaker on February 12 that he is concerned the Iranian companies may hold the UAE liable for having their products confiscated.

17. (S) UAE leaders are sensitive to the growing international pressure against Iran, and it makes them nervous. As international pressure mounts, Iran will likely pressure the Gulf countries to ally with Iran. We must encourage the UAE to resist such pressure. While the UAE likely would not oppose any United Nations Security Council decision regarding Iran, UAE leaders would prefer that any action target only certain key Iranian leaders. During the Secretary's February 23 meeting with UAE Vice President/Prime Minister and Ruler of Dubai Sheikh Mohammed bin Rashid al-Maktoum (MbR), Abu Dhabi Crown Prince Sheikh Mohammed bin Zayed al-Nahyan (MbZ), and ForMin Sheikh Abdullah bin Zayed al-Nahyan (AbZ), MbR and MbZ agreed that Iran's nuclear ambitions need to be countered. However, they stressed the point that they did not want any economic sanctions to target the Iranian people (ref F).

Export Control Law Stuck in Committee

18. (C) The UAE does not have an export control system comparable with those of members of the international control regimes. There is no federal or emirate level legislation establishing export controls, and there is no national control list. In December of 2004, the UAEG declared (in accordance with UNSCR 1540) that it had enacted restrictions on trade in radiological, chemical and biological items. The UAE also said it expected to enact export control legislation in the near future. In early 2004, the USG provided a draft template for an export control law (in English and Arabic).

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The draft law has never been passed, and there appears to be interagency/inter-emirate disagreement over which entity will have enforcement authority. A/S Rademaker and BIS U/S McCormick raised the urgent need for an export control law during their February and March meetings, respectively. AbZ told U/S McCormick that he thought the draft law was in a committee at the Ministry of Economy. Minister al-Qasimi (who was in attendance at the meeting) said she would look into the matter.

No Legal Authority to Act Against Proliferation Finance

19. (C) Since your October 2005 meeting with the Central Bank Governor, Embassy officers have continued to emphasize to the Central Bank and other UAEG officials that UNSCR 1540 obligates member states to adopt measures that -- among other things -- allow for the freezing of proliferators' assets. The Central Bank continues to argue that it has no legal authority to do so, and has indicated that it will not act on any USG requests to freeze such funds. During the January 24 meeting of the Joint Terrorist Finance Coordinating Committee, the Central Bank Governor told Treasury U/S Levey that it is simpler to close accounts, vice freezing them. At the CTF meeting in February, A/S Rademaker encouraged the UAE to pass a law (or an amendment to the existing Counter Terrorism Law) giving the Central Bank the explicit authority to freeze these funds. The MFA official at the CTF meeting said he would raise the issue at the next meeting of the

UAE's National Anti-Money Laundering Committee (NAMLC). As of March 20, the NAMLC had not met, so there has not been any progress on this issue.

¶10. (S) In November, Ambassador passed to the Governor your letter explaining the legal obligations of UNSCR 1540 and how the U.S. interprets and implements it. Although the Governor thanked Ambassador for the letter, he said that the UAE Ministry of Justice and the Attorney General would need to determine whether the letter would provide sufficient legal justification to maintain freeze on the accounts of Dina Khan and North Korea's Tanchon Commercial Bank (refs C-E). Embassy has not received a formal response from anyone in the UAEG about the letter, but we note that Central Bank officials have not raised the indemnification issue since.

Setting up the CTF Working Groups

¶11. (S) During the first meeting of the U.S./UAE Counterproliferation Task Force (CTF) on February 11, 2006, A/S Rademaker proposed forming three expert-level working groups: Proliferation Finance, Export Controls, and Transshipment/Interdiction Cooperation (ref A). A/S Rademaker encouraged the groups to meet by the end of May. To date, the UAE has not committed to holding any working group meetings. The Embassy is working to secure UAEG buy-in to having the CTF Proliferation Finance working group meet in late April on the margins of the second U.S./UAE Joint Terrorist Finance Coordinating Committee meeting. Additionally, an interagency delegation is planning to come to the UAE April 29-May 2 to hold the Export Controls and Transshipment/Interdiction Cooperation working group meetings (ref B).

Interlocutors

¶12. (S/NF) Embassy has requested meetings for you with Foreign Minister Sheikh Abdullah bin Zayed al-Nahyan (AbZ), Sheikh Mohammed bin Rashid al-Maktoum (MbR), Ruler of Dubai, Vice President and Prime Minister of the UAE; and Mohammed al-Qemzi, Director of Dubai's State Security Organization and the head of the UAE's counterproliferation team.

-- AbZ. The focus of your meeting with AbZ will be to discuss Iran. You should also encourage AbZ to give the Central Bank Governor explicit authority to freeze proliferators' assets. You should express hope that the export control law will be passed soon and that PSI will be immediately endorsed. It would be useful for you to ask him explicitly why the UAEG has not yet endorsed the PSI SOPs.

-- MbR. You should discuss Iranian proliferation activities, especially our concerns about Dubai's recent failures to interdict and inspect containers. Since MbR is now taking an

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active role in federal issues, you should also encourage him to pass an export control law, endorse PSI, and authorize the Central Bank to freeze proliferators' assets. He will likely not be as familiar with these issues, but they are worth raising with him. MbR may raise the Dubai Ports World issue, but he will likely seek to assure you that the controversy will not adversely affect the U.S./UAE relationship in any way.

-- Al-Qemzi. You should thank al-Qemzi for his role in the successful launch of the U.S./UAE Counterproliferation Task Force. You should encourage the Export Controls and Transshipment working groups to meet in late April or early May, and let him know that an interagency delegation is already making plans to come to the UAE. During this meeting, you should raise transshipment concerns and Iran's proliferation activities. (Note: Al-Qemzi is well aware of Congressional concerns about the UAE's questionable history

on nonproliferation enforcement. Al-Qemzi met with SSCI member Chambliss and HPSCI member Hoekstra during their recent visits to the UAE.)
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